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FISCAL IMPACT REPORT



SPONSOR: Knauer DATE TYPED: 02/12/02 HB 397

SHORT TITLE: County Imposed Liquor Tax SB _____

ANALYST: Smith

REVENUE

| Estimated Revenue | | Subsequent Years Impact | Recurring or Non-Rec | Fund Affected |
|-------------------|---------|----------------------------|-------------------------|-------------------------|
| FY02 | FY03 | | | |
| | 775.0 | | Recurring | TRD Administrative Fund |
| | 14700.0 | | Recurring | All Counties |
| | | | | |

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

This bill would allow all counties to impose a local liquor excise tax of up to 5% of the wholesale value of alcoholic beverages sold by retailers in the county. The tax is subject to voter approval and revenue must be dedicated to “educational programs and prevention and treatment of alcoholism and drug abuse within the county...”. Currently, only McKinley County is allowed to impose this local option liquor tax.

FISCAL IMPLICATIONS

The fiscal impact estimate illustrates imposition of a 5% tax rate in all counties although lower rates are possible. There would be a two-month lag between the effective date of the county tax and the first actual disbursement of revenue to the county. The revenue estimate is a rough approximation based on current taxes collected in McKinley County and a weighted average of county population and taxable gross receipts from package liquor stores and liquor by the drink establishments. TRD has provided a county-by-county illustration.

| Local Liquor Excise Tax Collections by County | | | | | |
|--|-----------|-------------------|---------|---------------------|---------------------|
| Five Percent Rate Imposition | | | | | |
| Bernalillo | 4,500,000 | Harding | 8,000 | Roosevelt | 100,000 |
| Catron | 28,000 | Hidalgo | 100,000 | Sandoval | 400,000 |
| Chaves | 500,000 | Lea | 600,000 | San Juan | 700,000 |
| Cibola | 100,000 | Lincoln | 700,000 | San Miguel | 300,000 |
| Colfax | 100,000 | Los Alamos | 100,000 | Santa Fe | 1,100,000 |
| Curry | 300,000 | Luna | 200,000 | Sierra | 200,000 |
| DeBaca | 37,000 | McKinley | 700,000 | Socorro | 200,000 |
| Dona Ana | 1,600,000 | Mora | 33,000 | Taos | 400,000 |
| Eddy | 400,000 | Otero | 300,000 | Torrance | 100,000 |
| Grant | 200,000 | Quay | 100,000 | Union | 100,000 |
| Guadalupe | 24,000 | Rio Arriba | 200,000 | Valencia | 300,000 |
| | | | | All Counties | \$14,700,000 |

ADMINISTRATIVE IMPLICATIONS

TRD notes that the administrative costs to the Department would be significant since the program would be expanded from one county to all counties. The program is currently implemented as a manually intensive system. The expansion would probably require a fully computerized system. Tax reporting forms and procedures will have to be re-designed. The number of taxpayers reporting would be significantly higher than the current 70 reporting from McKinley County. Expansion of the Local Liquor Excise Tax will require an additional full-time employee to process and key-enter tax returns and perform error resolution work for the increased number of tax filers.

TECHNICAL ISSUES

The current law definition of “retailer” (Section 1, Subsection G on page 3, line 2) applies to wholesalers as well as retailers. Following the exemption under Section 7-24-13 NMSA 1978, however, we administer the law so that purchases by wholesalers are not taxed.

SS/njw